

Message Text

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ACTION EUR-25

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C O N F I D E N T I A L OTTAWA 2848

POUCHED ALL CONGENS IN CANADA

E.O. 11652: GDS

TAGS: ENRG, CA

SUBJECT: CONTROVERSY OVER CANADIAN OIL SHORTFALL ESTIMATE

REF: OTTAWA 2830

1. ENERGY MINISTER MACDONALD AND OPPOSITION LEADER STANFIELD ENGAGED IN HEATED EXCHANGE IN COMMONS NOVEMBER 28 OVER MACDONALD'S "WORST" ESTIMATE OF PROSPECTIVE 200,000 B/D SHORTFALL IN OIL DELIVERIES TO CANADA. MACDONALD HAD EARLIER SUGGESTED (AT LEAST BY IMPLICATION) THAT UP TO 125,000 B/D OF THIS SHORTFALL COULD RESULT FROM COMPANIES SUPPLYING OIL FROM NON-ARAB COUNTRIES (READ VENEZUELA) INVOKING FORCE MAJEURE CONTRACT CLAUSES. IN THE END, MACDONALD VIRTUALLY CONCEDED THAT NONE OF THE COMPANIES HAD IN FACT YET DECIDED TO INVOKE THE CLAUSE AND DIVERT OIL CONTRACTED FOR EASTERN CANADIAN REFINERIES.

2. TORONTO GLOBE AND MAIL OF NOVEMBER 29 REPORTS ON DENIALS OF THREE MAJOR CANADIAN OIL COMPANIES THAT THEIR SUPPLIES FROM VENEZUELA ARE BEING CUT BACK. ARMSTRONG'S (IMPERIAL) TELEGRAM TO MACDONALD IS QUOTED AS SAYING THAT THE COMPANY "HAS NO CUTBACKS IN
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DELIVERIES OF CRUDE OIL FROM VENEZUELAN SUPPLIERS NOR

HAVE WE BEEN ADVISED OF ANY CUTBACKS...IN THE CASE OF OUR SUPPLY CONTRACTS FOR VENEZUELAN CRUDE OIL, WE AREN'T AWARE OF ANY OCCURRENCE WHICH WOULD JUSTIFY A CUTBACK OR REALLOCATION OF OUR SUPPLIES." SHELL CANADA AND TEXACO CANADA ARE REPORTED TO HAVE ASSESSED SITUATION SIMILARLY.

3. WITH REGARD TO FUTURE, ARMSTRONG IS NOTED TO HAVE INDICATED THAT SOME EUROPEAN COUNTRIES ARE RECEIVING CUTBACKS OF UP TO 75 PERCENT AND THAT SOME INTERNATIONAL REALLOCATION OF SUPPLIES "MAY BECOME NECESSARY...THIS WOULD PRESUMABLY BE A QUESTION FOR AGREEMENT BETWEEN GOVERNMENTS" AND NOT OIL COMPANIES.

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4. COMMENT: THE COMPANY VIEWPOINT EXPRESSED IN PARA 3 ABOVE ABOUT GOVERNMENTS INVOLVING THEMSELVES IN REALLOCATIONS WOULD APPEAR TO RUN COUNTER TO U.S. SUGGESTION AT OECD OIL COMMITTEE AND HLG (OECD PARIS 30083) MEETING NOVEMBER 19-20 THAT COMPANIES THEMSELVES SHOULD HAVE FLEXIBILITY TO SPREAD REDUCED SUPPLIES FAIRLY AND EQUITABLY. END CONFIDENTIAL.
SCHMIDT

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